

# Cross Timbers Business Report

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*Articles by Members of Delta Mu Delta, William L. Beaty, Faculty Editor*

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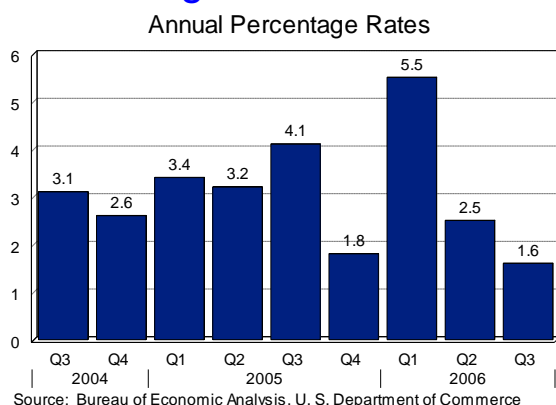
Fall 2006

## Output Growth Slows Sharply in Third Quarter

By Cody Kellner

The economy has experienced a sharp decrease in the growth rate of real gross domestic product (GDP) during the third quarter of 2006, according to the latest report by the U.S. Department of Commerce. Last quarter's annual growth rate of 1.6 percent falls short of the previous period's 2.5 percent advance and lies well below the 5.5 percent pace posted in the year's first quarter. Last quarter's advance is the lowest since the 1.2 percent expansion recorded for the second quarter of 2003.

### Changes in Real GDP



Real GDP estimates the inflation-adjusted dollar value of all goods and services produced in the economy. Consumption, gross private domestic investment, government

purchases, and net exports make up the four components of this aggregate.

During the third quarter, consumer spending rose 3.1 percent. Durable goods purchases jumped 8.4 percent, while outlays for nondurable goods and services increased at 1.6 and 2.8 percent rates.

Business investment spending increased 8.6 percent in the third quarter. Outlays for structures rose by 14 percent, and expenditures for software advanced 6.4 percent. Residential fixed investment decreased by 17.4 percent. This fall is the largest decline since the 21.7 percent drop in the first quarter of 1991. The lack of spending in the housing sector is a major factor contributing to the third quarter's slowdown.

Federal government spending increased at a 1.7 percent pace in the third quarter, which reversed a 4.5 percent decrease in the second. State and local government outlays rose by 2.1 percent last period, which falls below the 4.0 percent growth reported for the second quarter.

U.S. exports increased by 6.5 percent in the third quarter, but imports increased at a 7.8 percent rate. These trends pushed net exports farther into negative territory, which further depressed the growth of real output.

The Department of Commerce collects and reports GDP data on a quarterly basis. The data will be revised twice before a final estimate is posted.

*Cody Kellner is pursuing a Master of Business Administration degree at Tarleton State University*

## Inflation Slows in Third Quarter

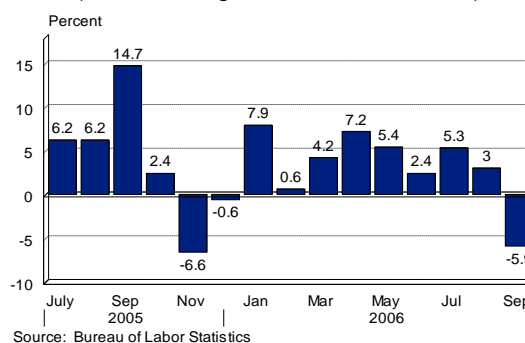
By Mary Sheehan

The U.S. Bureau of Labor Statistics reports dropping energy prices contributed to a sharp 5.9 percent decrease in consumer prices in September 2006. The third quarter's average inflation rate of 0.8 percent represents the lowest quarterly advance in consumer prices since the fourth quarter of 2005, when prices fell by an average of 1.6 percent. Over the past year, the nation's inflation rate has averaged 2.1 percent, which compares favorably to the 4.6 percent rate reported in the previous year.

Besides energy, prices of new vehicles and air fares also declined in September. Costs of natural gas, electricity, medical care, and housing rose over this span.

### INFLATION RATES

(Annual Changes in Consumer Prices)



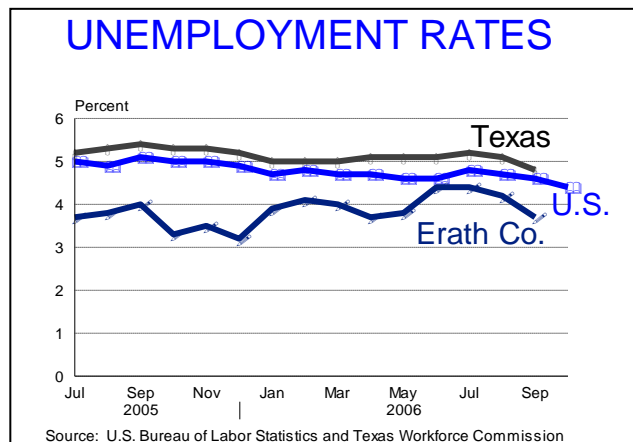
The Consumer Price Index (CPI) is published monthly by the Bureau of Labor Statistics. The CPI is the nation's most commonly cited inflation measure.

*Mary Sheehan is a senior accounting major at Tarleton State University.*

## Jobless Statistics Show Mixed Picture

By William L. Beaty

Data from the U.S. Bureau of Labor Statistics and the Texas Workforce Commission present a mixed job market picture for 2006. The nation's and state's jobless rates showed declines when compared to last year, but local counties' unemployment trends were less clear cut.



U.S. employers added 92,000 workers to non-farm payrolls in October to push the nation's jobless rate to 4.4 percent – its lowest level since May 2001. Employment gains in most job categories were only partly offset by losses in manufacturing, construction, and retail trade. The nation's unemployment figure averaged 4.7 percent over the first ten months of 2006, this figure falls below the 5.0 percent mean posted during the same period last year.

Texas' nonagricultural employment rose by more than 15,000 in September to push the state's jobless rate to 4.8 percent. Employment losses in business and professional services, information services, and leisure and hospitality services failed to offset gains in other job categories over this period. The state's unemployment rate averaged 5.0 percent over the first nine months of 2006. This figure compares favorably to the 5.3 percent value posted during the same period of last year.

The Cross Timbers labor market presented a somewhat ambiguous picture over last nine months, with two counties reporting decreases in average unemployment rates and three posting increases.

Bosque County's jobless rate declined from 5.1 percent in July to 4.9 percent in August to 4.3 percent in September.

The average rate of 4.7 percent for 2006's first three quarters compares favorably to the 5.0 percent mean reported for the same period of last year.

Eastland County's unemployment rate declined from 5.4 percent in July to 5.1 percent in August then fell to 4.4 percent in September. This year's average rate of 4.9 percent falls slightly below the 5.0 percent average posted last year.

Comanche County's jobless statistic also declined during the third quarter, from 5.3 percent in July to 4.4 percent in September. This county's annual average unemployment rate of 4.8 percent is slightly higher than the 4.7 percent value noted last year.

Erath County reported a decrease in its jobless rate from 4.4 percent in July to 4.2 percent in August to 3.7 percent in September. The county's year-to-date jobless average of 4.0 percent is slightly higher than the 3.9 percent value measured last year.

Hamilton County's unemployment rate declined from 4.8 percent in July to 4.4 percent in September. The 4.7 percent average jobless figure for 2006 lies significantly above the 4.3 percent average posted for the same nine months of last year.

The Bureau of Labor Statistics collects and reports labor market statistics for the United States and Texas economies, while the Texas Workforce Commission tracks county estimates. National and state jobless data are adjusted for normal seasonal variations, while county data remain unadjusted.

*William L. Beaty is an assistant professor of economics at Tarleton State University.*

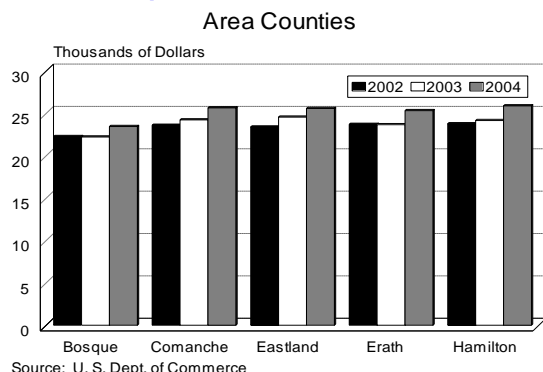
*The College of Business Administration at Tarleton State University presents the Cross Timbers Business Report (<http://www.tarleton.edu/~econ/ctbr.htm>) as a service to local residents. It is written by the members of Delta Mu Delta, a business honor society. This report is distributed without charge to any interested person or organization. To subscribe to this publication or make suggestions regarding its content, write William L. Beaty, Editor, P.O. Box T-920, Tarleton Station, TX 76402, phone 254-968-9622, or E-mail [beaty@tarleton.edu](mailto:beaty@tarleton.edu).*

## Incomes Increase in Cross Timbers Counties

By Cassie Abbey

Between 2003 and 2004 all five Cross Timbers Counties experienced increases in their per capita personal incomes. Hamilton County had the highest percentage increase in this time span, while Eastland County reported the lowest.

### Per Capita Personal Income



Bosque County's per capita personal income rose from \$22,215 in 2003 to \$23,453 in 2004. Despite this gain, Bosque's ranking slipped from 153rd to 156th among Texas's 254 counties.

In Comanche County, per capita income rose by 5.9 percent between 2003 and 2004. This increase improved the county's ranking from 111th to 101st.

Eastland County also displayed an increase per capita income over this span. Its total of \$25,581 for 2004 is 4.2 percent higher than the year before. Eastland improved from 110th to 103rd in income ranking between 2003 and 2004.

Erath County posted an income increase of \$1,659 from 2003 to 2004. The County's ranking improved from 119th to 113th.

Hamilton County also displayed an increase in per capita income, from \$24,158 in 2003 to \$25,887 in 2004. Hamilton's ranking among Texas Counties advanced dramatically from 104th to 93rd.

In 2004, Hamilton was the county with the highest increase and also had the highest overall per capita income of the five Cross Timbers counties. Hamilton was followed by Comanche, Eastland, Erath, and Bosque Counties.

The United States Bureau of Economic Analysis collects and reports personal income data on an annual basis.

*Cassie Abbey is a senior majoring in economics at Tarleton State University.*

## 2006 First Quarter Gross Sales Increase in all Five Cross Timbers Counties

By Jackie Woods

All five Cross Timbers counties, Bosque, Eastland, Erath, Hamilton and even Comanche, who experienced some decline last year, increased their first quarter 2006 gross sales when compared to 2005. The State Comptroller's Office defines gross sales as the total value of all sales, leases and rentals of tangible personal property and all labor and service charges made during the reporting period.

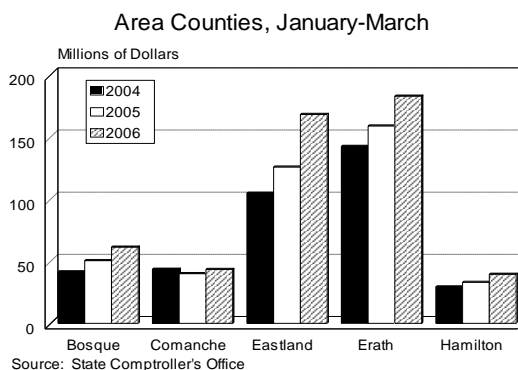
In the first quarter of 2006, Eastland County experienced the greatest growth in gross sales in the Cross Timbers area with revenues of \$168.0 million. This figure represents a 33.7 percent increase over 2005 and 60.6 percent jump over 2004. Bosque County experienced the next highest growth rates with cumulative sales of \$61.2 million for 2006. This value is 21.5 percent greater than 2005 and represents an expansion of 48.1 percent over 2004.

Erath County and Hamilton County both experienced steady growth as well. Hamilton County merchants increased their gross sales by 19.7 percent from 2005 and 34.8 percent since 2004. Erath County sellers increased their revenues by 15.1 percent since 2005 and 28.4 percent since 2004.

Comanche County has struggled in the past years, but this year they showed an increase of 8.5 percent over 2005.

This year's first quarter figure remains 0.4 percent below the value reported in 2004, however.

### GROSS SALES



The information provided on gross sales for the five Cross Timbers counties is obtained from the State Comptroller's Office. This data is released approximately six months following the reporting period.

*Jackie Woods is a senior marketing major at Tarleton State University*

# Tax Rebates Reveal Steady Growth

By Lin Hanson

The State Comptroller's Office released its October tax figures showing that Texas had an overall increase of 13.7 percent in state sales tax collections in 2006 compared to the 2005 figure. Locally, sales tax allocations rose in Cross Timbers area cities for the third straight year.

Comanche received cumulative sales tax allocations of \$397,643 during the first ten months of 2006. This value represents an increase of 14.5 percent over the year before and a rise of 19 percent over the same period two years earlier.

Eastland had the highest percentage increase in the Cross Timbers area with a cumulative total of \$825,284 for the January-October period of this year. This value represents an increase of 23.8 percent over the previous year's figure and a gain of 32.5 percent over the same span in 2004.

Dublin's aggregate sales tax allocations through October totaled \$253,428. This value represents gains of 11.2 percent and 18.7 percent over the 2005 and 2004 totals.

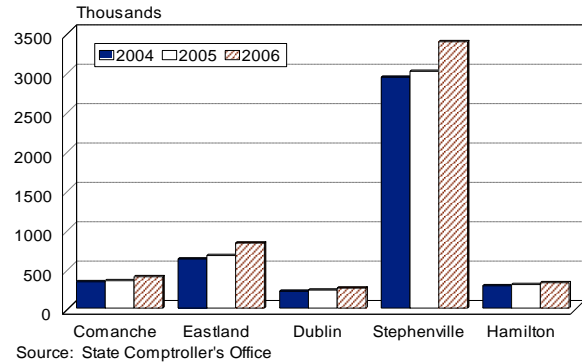
Stephenville had sales tax allocations of \$3,381,904 in 2006 resulting in increases of 12.5 percent over 2005 and 15.4 percent over 2004.

Hamilton received allocations of 321,422 from the state during the first ten months of this year. This value

marks an increase of 7.6 percent over the year before and an advance of 13.7 percent over the 2004 aggregate.

## SALES TAX ALLOCATIONS

Area Cities, January - October



The State Comptroller's Office collects and returns sales taxes collected for local governments on a monthly basis. Allocations reflect percentages of taxable sales recorded approximately two months earlier.

*Lin Hanson is a senior human resource management major at Tarleton State University*

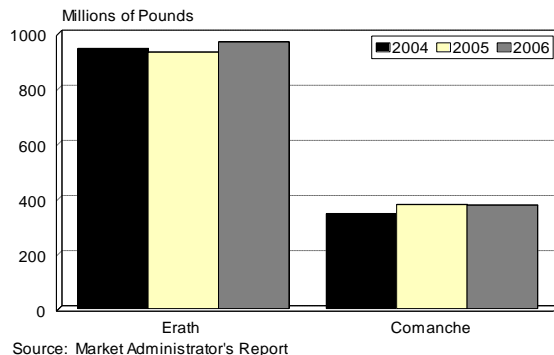
# Milk Markets Continue Dynamic Trends

By William L. Beaty

Two Cross Timbers counties maintained their positions as major players in the state's wholesale milk market through the first nine months of 2006, turning out 25 percent of all milk produced in the state. However, Texas' production pattern continues to show fundamental shifts as more farmers move into northwestern areas of the state.

## MILK PRODUCTION

Area Counties, January - September



Erath County's 100 dairy farmers produced 967.2 million pounds of milk during the first three quarters of this year. This value represents gains of 4.0 percent over the year before and 2.5 percent over the same period in 2004. Erath maintained its position as the Texas' top milk produc-

er and accounted for 18 percent of total state output over this span.

In Comanche County, 29 producers turned out 374.9 million pounds of milk between January and September of this year. This value represents a loss of 0.7 percent when compared to the 2005 total but shows a gain of 8.9 percent over the 2004 aggregate. This county's farmers produced 7.0 percent of the state's total output over this span. In September, Comanche slipped from third to fourth place among Texas' top producers.

Perhaps the most significant dynamic in the state's milk market has been the movement of farms to the South Plains and Panhandle regions. In September of this year, seven of the state's ten top counties were located in these areas. Five years ago, only one came from this locale. Dairy farms in this area also tend to be much larger than producers in the Cross Timbers region. Deaf Smith County, for example registered more output from 11 producers than Comanche County posted with 29. The question of whether this growth trend will continue remains open at the present time. Although some west Texas counties are registering triple-digit gains, others are showing weak advances, and still others are reporting declines.

Milk production data for the Southwest Marketing Area are collected and published on a monthly basis by the Market Administrator's office in Carrollton, Texas.